

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MARCH 18, 2004

PRESENT: Chairman Anthony Maiola and Commissioner Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer

EXCUSED: Commissioner John Byrne

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending March 14, 2004 shows retail sales were up about 4.7%, on-premise sales were up almost 5.1%, off-premise sales were down -11.87%, and total aggregate sales were up a little over 1%. The traffic count increased by 13,080, as did the average sale by \$.47.

The W-1 Total Weekly Sales report for the same week confirms total sales were up around 1% or \$59,407 for the weekly comparison, and were also up for the year by 8% or \$20,132,094. Wine sales, however, for the weekly decreased by -1.55% or (\$41,063), but were up by 8.38% or \$9,715,698 for the year. Sales of spirits for the week were up 3.4% or \$100,470, and also increased year-to-date by almost 7.8% or \$10,416,596.

B. Budget Reports:

There was nothing of significance to report for this week regarding outstanding depletions and post-offs.

Because of special programs like the Martignetti promotion, average sales figures for gift cards are distorted. Attempts are being made to come up with an average figure.

There was nothing out of the ordinary to report concerning workers' compensation this week.

Craig thanked the bureau chiefs for their efforts in seeing that personnel evaluations are completed in a timely manner. To date, there is only one outstanding evaluation due.

Approval has been received for the Enforcement e-licensing project to move forward. A request will be made to Governor and Council for price extensions on this contract.

A list has been compiled on full-time employees who are bonded and covered by insurance regarding theft. It is not known at this time if part-time employees are included. Val Hamilton from Risk Management is working with Randy Avery on itemizing losses which can be recouped.

An updated copy of planned out-of-state travel expenses was distributed. Aidan mentioned that he would like to send one of the investigators to training in Bedford, Massachusetts at no expense except for the per diem costs for dining.

There was some discussion regarding the metrics project. No formal information has been received as to who is directing it, although it is known that the program was passed on to Peter Bartlett at Employment Security. Commissioner Russell advised that no further action be taken by the Commission at this time.

The W-6 Expense Budget Activity Variance Report for the week ending March 4, 2004 compared to last year shows about 71.2% of the year is expended, with total agency expenditures at around 70% of the budget. George noted that although expenditures are up by 5%, revenues are up about 8%. The expenses reflect an increase in workers' compensation costs. It is anticipated that more money will be needed for this account by the end of the fiscal year. George has been working closely with Peter Engel in monitoring Classes 18 and 50.

Underage drinking campaign proposals will be coming in at the end of this week, with a contract expected to go to Governor and Council by the end of June. In addition, the RFP for the security contract has gone out, and a pre-proposal meeting is scheduled for April 2nd.

Peter and George have also been working on sale and location information, and George hopes to have some information in draft form for review by next week which will project out four years instead of two.

Interviews for the Chief Accountant position have concluded. Hopefully the person selected will actually be in the position in a couple of weeks.

Funding for both Seabrook and Bedford is being reviewed by the LBA. The Governor will then have five days to sign his approval. There was brief discussion regarding how personnel for these two new locations will be funded.

2. IT Report

Howard visited ACR last week to view the new update for point-of sale to determine if they would serve the Commission's needs. He and Rick Racicot developed a list of 20 needed items, 5 of which were addressed at that time. Patches were received for three, but there were four or five items which ACR felt were over and above what they could provide. IT is looking to structure a contract which will include all of the items and the provision for funds to modify the code. The software itself is user-friendly and touch screen capable, which means lower maintenance costs. Howard said he expects to see the ACR proposal next Monday, which will represent an upgrade to the existing system.

Due to the success of the current gift card program, another 2,000 cards need to be issued. Howard suggested using the \$15,000 bonus in the Paymentech contract to purchase our own terminal to handle this instead of borrowing one from the Department of Safety. He also suggested that some of the money be applied to the maintenance bill for RiTA or to be used for a hot site license for RiTA at a cost of about \$5,000. Chairman Maiola asked that this be put on paper for Commission review.

Last week a mechanism was installed whereby stores could record broker visits. Howard briefly explained how this is accomplished. The brokers will also be able to see where and when their representatives have visited the stores.

Howard referred to the presentation Tom Chagnon gave last week on the disaster recovery site. However, it is possible that there will be no money available for this project when July comes. Although the Commission voted to install equipment in the mezzanine area, John Bunnell said he felt the end of the conference would provide a safer environment, in addition to being less expensive. Howard commented that the location could always be moved later, but that procedures should begin to put it somewhere. George Tsiopras will provide a report on this issue for next week's meeting.

It appears that some employees have done something which has resulted in their receiving a lot of e-mail. There is a policy in place regarding e-mail stating it should be used only for business purposes. Craig felt employees should be reminded of this. Aidan commented that it would be difficult to issue a warning letter, because many employees receive unsolicited e-mails. Howard has asked his staff to look into the exchange server to see who is receiving a lot of mail. The State is also looking into installing SPAM software, which may help eliminate some of these problems.

Agilsys sent Howard the information on their software for the telxons last week, which added over \$160,000 to their cost. He updated the evaluation spreadsheet and sent it to Purchasing on Monday. Howard expects the purchase order to be issued this week to Data Capture Solutions, the original choice.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 3/14/04 increased by 4.8% or \$198,843.77 compared to the same week last year.

Store #74 in Londonderry opened three hours late (12.00 noon) this weekend because of a water pipe which burst.

Demolition work has begun at the new proposed Seabrook site. In addition, the lease is moving along for the Bedford store, and floor plans should be available to show at next week's meeting. Commissioner Russell requested that the building of the new Keene store become a priority. There are several lawyers now involved in the process, including Suzan Lehmann from the Attorney General's Office, who will be meeting at 1:00 a.m. with Commissioner Russell, George and John Bunnell. She stressed that issues holding up the project need to be settled by April 1st.

2. Purchasing Report

There was nothing in particular to note regarding out-of-stocks over the past week.

3. Merchandising Report

A. SPIRITS:

1) Additions to "Hot Brand" Program:

a. Eliminate Codes #2645, #3614 & #5445:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the elimination of the following products from the "Hot Brand" program, effective with the May 2004 pricing quarter, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #2645, Chivas Regal, 1.75L size; Code #3614, Finlandia Vodka, 1.75L size; and Code #5445, Jagermeister, 750ML size. The motion was unanimously adopted.

b. Code #3840, Smirnoff Raspberry Twist:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the addition of Code #3840, Smirnoff Raspberry Twist, 1.75L to the "Hot Brand" program, effective with the May 2004 pricing quarter, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

c. Code #3802, Three Olives Vodka:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the addition of Code #3802, Three Olives Vodka, 1.75L to the "Hot Brand" program, effective with the May 2004 pricing quarter, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Code #5734, Malibu Coconut Rum:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the addition of Code #5734, Malibu Coconut Rum, 1.75L to the "Hot Brand" program, effective with the May 2004 pricing quarter, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

e. Code #273, Sauza Gold Tequila:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny the addition of Code #273, Sauza Gold Tequila, 1.75L size to the "Hot Brand" program, effective with the May 2004 pricing quarter, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Absolut Citron; Absolut Mandrin:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny the addition of Absolut Citron and Absolut Mandrin, 1.75L sizes to the "Hot Brand" program, effective with the May 2004 pricing quarter, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. Code #2752, Johnnie Walker Black Scotch:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny the addition of Code #2752, Johnnie Walker Black Scotch, 750ML size to the "Hot Brand" program, effective with the May 2004 pricing quarter, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

h. Code #3682, Belvedere Vodka:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny the addition of Code #3682, Belvedere Vodka, 750ML size to the "Hot Brand" program, effective with the May 2004 pricing quarter, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Appeal (Code #4552, Papagayo Organic Spiced Rum):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny an appeal from Perfecta Wine Company to the delisting of Code #4552, Papagayo Organic Spiced Rum, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Size Extension/Swap (Canadian Club PET):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Allied Domecq Spirits USA for an additional size listing of Canadian Club PET Traveler, 750ML size (assigned Code #2121), as the brand in both the 750ML and 1.75L sizes have exceeded the gross profits required for an added size listing, and that the Commission approve the delisting of Code #8619, Canadian Club, 375ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) May Special Offers:

a. 3 items – Charles Zoulias:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Charles Zoulias, based upon depletions of three (3) spirit items, to be featured on sale during May 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 7 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of seven (7) spirit items, to be featured on sale during May 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 6 items – M.S. Walker, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of six (6) spirit items, to be featured on sale during May 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 34 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of thirty-four (34) spirit items, to be featured on sale during May 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 18 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of eighteen (18) spirit items, to be featured on sale during May 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. 48 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of forty-eight (48) spirit items, to be featured on sale during May 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) May & June Special Offers:

a. 1 item – Libiamo:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Libiamo SRL, based upon depletions of one (1)

spirit item, to be featured on sale during May and June 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 1 item – Phoenix Marketing:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Phoenix Marketing, based upon depletions of one (1) spirit item, to be featured on sale during May and June 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

- 1) New Wine Product Listings:

- a. Full Distribution (Codes #35411 & #35413):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the full distribution, to be available to all stores upon request, of Code #35411, Chardonnay Yellow Tail Ausl., 750ML size and Code #35413, Shiraz Yellow Tail Ausl., 750ML size, as each has earned at least \$6,500. during a twelve-month period, the majority of which have been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Full Distribution (Code #35800):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the full distribution, to be available to all stores upon request, of Code #35800, Shiraz Penfolds T Hyland, 750ML size, which has earned at least \$6,500. during a twelve-month period, the majority of which has been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) Special Offers for May 2004:

- a. 5 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of five (5) wine items, to be featured on sale during May 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 51 items – M.S. Walker, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of fifty-one (51) wine items, to be featured on sale during May 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) New Hampshire State Liquor Commission Wine Tastings:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve three wine tastings, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, as follows: Catholic Medical Center, May 20, 2004; Berlin Main Street Program, October 28, 2004; and Nashua Center, November 5, 2004. The motion was unanimously adopted.

4) Concannon Purchase:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special purchase offer from Horizon Beverage Company/The Wine Group on four (4) Concannon wine products, to be featured on sale during May 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Delist (responses from delist notices):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve delist appeals received by United Beverages, Inc. for six (6) wine codes, to be placed on warning status and reviewed again in September 2004, and deny delist appeals from Martignetti Companies of N.H. to move five (5) wine codes into specialty status, but place the items on warning status to be reviewed again in September 2004, as recommended by Kathleen Hass, Director of Purchasing and Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Delist Appeals (2 items – Martignetti Companies of N.H.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny delist appeals from Martignetti Companies of N.H. to move two (2) delisted wine codes into specialty status, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Close Out:

a. 6 codes – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc. of close-out price reductions and the purchase of six (6) wine codes, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 2 codes – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc. of close-out price reductions on two (2) wine codes, including the purchase of one of these codes, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Recommended Wine Specialty Products:

a. 23 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve twenty-three (23) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine

Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 34 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve thirty-four (34) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Not Recommended – 3 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny three (3) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Recommended Allocated Wines for Distribution to Selected Stores:

a. 22 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve distribution of twenty-two (22) allocated wines to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Not Recommended – Wine Allocation (5 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny the designation of five (5) wine codes as allocated, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) "R" Wines for Approval for Allocation to Licensees and Retail Distribution:

a. 2 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve two (2) "R" wine codes for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 1 item:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve one (1) "R" wine code for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

11) Primary Source Submissions:

- a. 1 item – primary source; 18 items – exclusive agent; 80 items – imported:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of one (1) wine code which is from primary source, eighteen (18) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and eighty (80) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 10 items – primary source; 9 items – exclusive agent; 19 items – imported:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of ten (10) wine codes which are from primary source, nine (9) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and nineteen (19) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

Chief Moore informed those present that SB 534 is still very much alive and has been sent for hearing. Senator Green has offered a few amendments to this proposed bill.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated March 11 through March 18, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

Patricia T. Russell, Commissioner

